

**Memorandum**  
May 15, 2014  
Confidential / not for attribution.  
Memorialization of Telephone Conversation between  
D B Karron and  
Internal Revenue Service Special Agent Hal Sherry

On 5/15/14 at 10:35 AM, I placed a call to Mr. Hal Sherry at the IRS at his desk phone number (516) 576-7371. Sherry answered himself directly and identified himself on the phone to me. The call was 35 minutes long. <sup>1</sup> The reason for the phone call was to confirm a visit Mr. Sherry demanded of me last week for Monday. I told Mr. Sherry I would find a tax attorney, not a CPA or registered agent, to represent me for that scheduled meeting<sup>2</sup> at Mr. Sherry's office at 999 Stewart Ave Suite # 110, Bethpage, NY 11714. I asked Mr. Sherry about our scheduled meeting, he said I did not need to show.

Mr. Sherry informed me he closed the case after reviewing material that Mr. Byars, one of the 3 prosecutors on my case from the Department of Justice, forwarded a to him. Mr. Sherry said he spent a lot of time carefully examining the material Byars forwarded. Mr. Sherry said "After careful review of the facts and the law, I decided to accept the 2008 return as filed, and that there was no tax due from the 2008 trial and \$120,000 criminal judgment and restitution order from the trial. Case closed".

Mr. Sherry told me he would not recommend any additional levies, as he had original wanted me to sign an amended 2008 tax return with an additional tax on \$1,355,000.00. Sherry said he was done with this case. He said that the tax over payments made in 2001, 2002, and 2003 were lost because of the 3 year tax statute of limitations on claiming credit on over payments. I asked him about going to tax court, given that the criminal case was good cause that I could not file taxes or claim in a timely manor. He said that was out of his jurisdiction, and that it would be very expensive to go to tax court.

---

1 Out of respect for Mr. Sherry I did not record the phone call. I had fumbled my cell phone with Mr. Sherry previously and it would announce that this call was being recorded. That usually put a damper on the call. Sherry would say he did not mind. I did not save those fragment recordings.

2 I had told Sherry previously I would bring a laptop computer with backup to prove I had sufficient personal income to cover the misappropriation, I did not take and hide the money, and that I used after tax funds to cover the misappropriation, not government funds. I said I would engage an someone he would trust to verify my assertion. He asked me how I would do this, I said I would let my tax attorney prove it, that I could not because he would not believe me. At first he said he would not accept my evidence, only from 'someone who worked for the IRS' like a CPA.

He said I should be ecstatic with his finding, that I got off Scott free. This was after his saying for weeks I would never get precisely this result out of him, "Dr. Karron, thats not gonna happen". **I told Sherry I would use his finding as a get out of jail free card. He said I was delusional.** He kept saying that since he started in on me six months ago. But he officially backed off from asking for me to admit to \$1,355,000 in criminal income to NOTHING. I reminded him that when he started, he said he wanted me to admit to \$1,355,00 in criminal income. He kept telling me I had to accept responsibility and move on in life. He said I was delusional for refusing to accept the finding of the court. But he looked at the government numbers and decided to get out than to get dirty, there was enough tax paid to more than cover and pay for the criminal misappropriation. He also said that that meant it was not criminal, as by declaring the rent and personal income it could not be criminal.

I asked him what Mr. Byars said or gave him that convinced him that I had no tax liability. Sherry said Byars said I owed a lot more then \$120,000 because of the civil follow on conviction. He said it was a combination of my tax return, showing clearly tax payment for rental income from the company in 2001,2002,2003, and a technical rule that all of the taxable events that Mr. Byars wanted Mr. Sherry to tax were made in 2001,2002,2003 and were too old, and too small to pursue. Mr. Sherry said something about a 25% rule I did not understand, and a law change regarding pursuit of old tax liabilities by a statute number he muttered.

I asked Mr. Sherry if he would give us a explanation or memorandum explaining the basis of his finding. Specifically, what did Mr. Byars say or send that caused Mr. Sherry to decide no tax was due. Mr. Sherry said that he not make a report he would share, and he would not make a report to me, and that the IRS does not make reports to taxpayers about how it decided to assess tax in criminal and civil cases. Mr. Sherry said the collections group would contact me about the 2008 return. He could force an audit, which he threatened repeatedly. Mr. Sherry decided not to demand me to amend the return to include \$120,000 in criminal income and that was all he would do.

I think that Mr. Sherry, while a bully, would not lie on the stand in court and would admit in court to what I am memorializing here. Something Byars gave or said to Sherry, and my hanging tough on the entire issue for 6 months, convinced Sherry to find a way out and not assess tax on the criminal judgment.

Mr Sherry seems to have effectively decided that I was not guilty, and did not owe tax on the \$120,000 criminal court for the civil damage finding of \$1,355,000. of misappropriated funds because

it was a combination of declared on my contemporaneous tax returns, I declared hundreds of thousands of dollars in income and overpaid the tax on it, and the remaining 60,000 of criminal mis-spending was too small and too old to pursue. I asked him if he would make a written form of his oral findings to me. He refused to put these statements in written form. I offered to send by fax a copy of my memorandum of this meeting, but he said he would not sign anything I sent him. I said I would send him a copy anyway and he said don't bother, he was finished with my case.

At that point I decided to engage Mr. Sherry on a personal basis. He seemed curious about my history, and expressed his opinion that I was attacked by the prosecution because I was transsexual. He resolutely felt the government had no business ruining my career over my personal life style issues. He said Byars first came to him with the most sensational nonsense and he took exception to what the Byars told him about me. He said "It was none of the governments business what they were telling me". He told me that Byars had minimized the significance of the conviction of the Department of Commerce special agents on my case as having nothing to do with me. I told him that Byars only told him the least part of the story of the dirty special agents. I told him I believed they had obtained other convictions by fabricating evidence, and bullying (suborning) witnesses in other cases I had found. I told Sherry they were the tip of an iceberg of Department of Commerce official corruption, not just in my case. I told Sherry, if he was interested, I could pinpoint precisely what the special agents had fabricated material evidence in my case, because the field auditor would never make such innumerate charts or tables. He said he had seen that in other cases, where the schedules did not add up, made no sense, and the graphs had nothing to do with the data. He said he had 30 years experience doing this and made up his mind based on the evidence, and the numbers.

I invited him to contact me after he retired and I would like get his personal opinion as to my case and why he decided that there was no taxable income generated from the criminal judgment and civil judgments against me. He had previously avowed to me that this would never happen, because if there was no criminal gain from the criminal trial, with nothing to tax, there was no criminal liability; there was no crime. He had summoned me (formally) me to sign the papers he send me (copies on request) accepting the judgment of the court and to admit tax liability for the money the court said I stole. He did not believe I refused to accept liability for the misappropriation and thought I was delusional. He kept using that term over and over again over the six months he has been harassing me.

We then had a leisurely chat about the grant, my personal issues with gender, and the failed NIST ATP program. Mr. Sherry felt that the initial papers Mr. Byars had sent over, asking for the IRS to collect taxes on 1,355,000 in criminal and civil income used for personal use was overreaching and nonsense. He looked me up on the Internet and found the Advocate and New York Post Article about me. His seemed offended at the pieces. Mr. Byars attempt to assert that I spend all of this money improperly on paying for gender related expenses. Sherry said that I could not spend that much money on gender issues, and he thought Byars was something more than in error. I managed to convince Mr. Sherry, over the 6 months he investigated me that this was more about my transsexuality and gender, and not about wrong doing. Mr. Sherry repeated over and over again that that was my personal business, and not something the Government should have gotten involved with. I discussed the fact that the two federal agents who made their career on my case, Ondrik and Yamatani were found guilty of false government writings, but there was no smoking gun in my case. Sherry said that Mr. Byars said to him Ondrik and Yamatani would only guilty of time sheet and travel voucher fraud. Mr. Sherry seemed to know that the special agents they tried to cover their tracks by creating a false whistle blower complaint. I told Mr. Sherry that Mr. Byars did not give the full scope of the case against Ondrik and Yamatani and that I could forward Mr. Sherry the comments the Judge made at sentencing for these two, and comments leaked in the trial pleadings about the withdrawn Victim Impact Statement made by the Inspector General. I also mentioned that the trial for these two had gone dark, there was no trial scheduled, rescheduled, postponed, or anything public about these two.

I told Mr. Sherry I could point out precisely where the issue of the rent was faked in the governments audit exhibit. Mr. Sherry said that he thought I was railroaded and that I should have brought the tax return to the attention of the court, as it is not criminal income, it was *bona fide* income even when declared as rent. I discussed that the program had already reclassified the rent as payroll, but this was suppressed. I discussed how it was not suppressed enough, that the reclassification survived in the exhibit schedules double counting the rent. I discussed the innumeracy of the case, the lack of tables or charts that made any sense, and that the key exhibit against me was fabricated or the author did not realize the rent was reclassified causing a double count of the rent.

We talked about our respective children, and the importance of not getting into trouble, and how his son knows everything, and his concerns. He asked me about my daughter, and about my girlfriend, and how I met her. I explained I was married, divorced, had a grown daughter, and the problems that

having a transsexual felon dad had torn up my relationship with my daughter and was destroying my family, not just my career. He seemed genuinely interested in my story. I told him I had a possible book or video project. He wanted to know who would play him in the movie. I said he should contact me when he retires and is free to speak and give his personal feeling about this case with impunity. I said I hoped to be exonerated by then.

How can we use this information to get back into District Court ?